

European Privacy Law Set To Go Into Effect Friday - Could Cause A Mess For American Companies

May 23, 2018 - The European Union's General Data Protection Law (GDPR) is scheduled to go into effect this Friday. The law, which was passed in 2016, is all about giving European consumers control over the data companies collect on them and how that data is used. We support that. But the law has the potential to disrupt companies in other parts of the world - including the United States - even for businesses that don't target consumers in the EU. And depending upon how the EU decides to enforce the law, there is a real possibility it could create diplomatic issues on both sides of the pond.

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The EU will enforce GDPR by levying fines against companies that violate it. Massive fines. Violators can be fined \$24 million USD at current exchange rates or 4% of global revenue; whichever is more. And as written, the law gives rights to all European citizens regardless of where they live.

Companies around the globe have been working to bring their businesses into compliance with GDPR before its implementation. And there have already been a number of changes made. For instance, Apple is now making it possible for its customers in the EU to download all of the data the company stores on them and review it. They have also removed a number of apps from their app store because of noncompliance with GDPR. And Facebook is forcing users in the EU to review the company's privacy policy and their privacy settings on the platform.

The law is likely to have the biggest impact on online advertisers. We've all searched for a particular item online only to discover that advertising for that item starts showing up on every other site we visit. That sort of data sharing will be illegal under GDPR unless users give their permission. Phone applications that gather data and share it with third parties without your permission will also become illegal.

The law also increases the scrutiny (and potential fines) along with the reporting requirements that companies will face in the wake of data breaches.

The real test of the law on international companies will likely come if the EU decides that it wants to levy a fine against an American company that isn't trying to do business in the EU. If that happens, how the law would be enforced isn't entirely clear.

Any American business doing business online in Europe would be well served to take GDPR seriously. Not doing so could be a financial disaster.

by Jim Malmberg

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